Ontario

Public Service Superannuation Board

Annual Report

for year ending March 31, 1987

SIXTY-SEVENTH ANNUAL REPORT

OF THE

PUBLIC SERVICE SUPERANNUATION BOARD

FOR THE YEAR ENDED

MARCH 31, 1987

Ontario

Office of the Chairman

The Management Board of Cabinet

Frost Building
Queen's Park
Toronto Ontario
416/965-6795

To his Honour the Lieutenant Governor of
the Provice of Ontario

MAY IT PLEASE YOUR HONOUR:

The undersigned respectfully presents herewith the Report of the Public Service Superannuation Board for the year ended March 31, 1987.

Respectfully submitted,

Robert F. Nixon
Acting Chairman

Ontario

Public
Service
Superannuation
Board

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retraite des
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The Honourable Robert Nixon
Acting Chairman of Management Board

SIR:

I have the honour to submit the Report of the Public Service Superannuation Board for the year ended March 31, 1987.

Respectfully submitted,

Stephanie J. Wychowanec,
Chairman.

PUBLIC SERVICE SUPERANNUATION BOARD

The Board, first established in 1920 under an Act of the Legislature of Ontario, now operates under the Public Service Superannuation Act (R.S.O. 1980, chapter 419), as amended.

The Members of the Board are appointed by the Lieutenant Governor in Council. At the end of the year under review, the Board had the following Members:

S.J. Wychowanec, Q.C. (Chairman)
Chairman, Commercial Registration
Appeal Tribunal

E. Aboud, Director
Benefits Policy Branch
Human Resources Secretariat
Management Board of Cabinet

J.A. Jackson
Executive Director
Property Management Division
Ministry of Government Services

S. McVittie
Representative
O.P.S. Employees Union

B.V. Cooke, Manager, Policy and Executive Benefits, Ministry of Government Services, was the Secretary.

In accordance with the Act, the Board approved disability and certain survivor pension benefits. It evaluated eligibility in special cases and heard appeals against routine decisions made by the Employee Benefits and Data Services Branch of the Ministry of Government Services. Board decisions are usually made on the basis of written presentations but affected parties may make personal presentations if so desired and may be represented by counsel. The Board also advised the Minister on Public Service Superannuation Fund matters.

Twenty-two meetings of the Board were held during the year ended March 31, 1987.

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CONTRIBUTORS

During the period covered by this Report, 8,638 new contributors to the Public Service Superannuation Fund were added and 4,554 contributors left the Fund for a net increase of 4,084 over the preceding year. At the end of the year under review, there were 81,378 contributors of whom 1423 were part-time and 2,590 seasonal employees.

ALLOWANCES

An "allowance" under the Public Service Superannuation Act is retirement income payable in monthly instalments commencing with the month following the month in which the individual retired. The amount of an allowance is calculated according to the benefit formula under the Act and not reduced because of age or service.

As of March 31, 1987, 24,716 allowances were being paid compared with 23,742 at the end of the previous year. The total number of recipients consisted of:

1,148 disability pensioners;

16,745 service pensioners;

6,823 surviving spouses and children of deceased contributors or pensioners.

This represented an increase of 974 allowances over the preceding year.

ANNUITIES

An "immediate annuity" under the Public Service Superannuation Act is similar to an allowance but the amount is reduced to reflect age and/or service which is less than the requirements for an allowance. Monthly payments commence with the month following the month in which the individual ceased to be employed.

A "deferred annuity" under the Public Service Superannuation Act is payable at a specific date in the future, such as age 60 or 65 depending upon the commencement date of employment in the Ontario Public Service, to an individual who is no longer an active member of the Plan. The amount may be reduced to reflect service which is less than the requirement for an allowance.

At the end of the year under review, there were:

3,657 former contributors receiving annuities;

454 surviving spouses and children in receipt of annuities;

689 former contributors who will receive deferred annuities from a later date.

This represented an increase of 165 annuities over the preceding year.

PAYMENTS, REFUNDS AND TRANSFERS TO OTHER PENSION FUNDS

During the period April 1, 1986 to March 31, 1987:

2,765 former employees received refunds of contributions, with interest;

70 former employees who were not eligible for an allowance received payments of twice their contributions, with interest;

32 spouses and children received lump sum death benefits equal to twice the deceased contributor's contributions, with interest;

138 former employees transferred their contributions and credits to other pension funds.

OPTIONS FOR MILITARY SERVICE AND PAST PENSIONABLE SERVICE WITH ANOTHER EMPLOYER

During the year, 309 contributors made contributions for military service in World War II or the Korean War. Also, 524 contributors made contributions for pensionable service with the employers recognized for transfer purposes under the Public Service Superannuation Act.

The amount contributed to the Fund by these employees was $841,446.

OPTIONS FOR PAST SERVICE WITH ONTARIO GOVERNMENT

During the fiscal year, 4,210 contributors made payments for past non-contributory service with the Ontario Government. Furthermore, 894 employees made contributions in order to reinstate previous periods of pensionable service with the Ontario Government.

The amount paid into the Fund by these contributors during the fiscal year was $3,163,452.

OPTIONS FOR LEAVE OF ABSENCE

During this period, 559 contributors established credit for unpaid leave of absence. The amount contributed to the Fund by these contributors was $231,660.

CONTRIBUTIONS ON BEHALF OF DISABLED CONTRIBUTORS

Also during this fiscal year 1986-87, the employer paid $7,870,609 into the Fund on behalf of 4,529 disabled contributors who had qualified for a benefit under the Long Term Income Protection Plan. This amount was in addition to the usual matching contribution paid under Section 10(1) of the Public Service Superannuation Act.

TRANSFERS INTO AND OUT OF THE FUND

During the year, 254 contributors established additional credit in the Ontario Public Service Superannuation Fund by transferring from other pension funds and 138 former contributors transferred their O.P.S.S.F. contributions and credits to other pension funds.

On March 31, 1987 reciprocal transfer arrangements were in effect between the O.P.S.S.F. and the following:

Alberta Civil Service Superannuation Fund
Anglican Church of Canada Pension Fund *
Baptist Convention of Ontario and Quebec *
British Columbia Public Service Superannuation Fund
Canada Public Service Superannuation Fund
Canada Broadcasting Corporation Pension Fund
Carleton University Pension Fund
Central Mortgage and Housing Corporation Pension Fund
Evangelical Lutheran Church of Canada Pension Fund *
Hospital for Sick Children Employees Pension Fund
Hospitals of Ontario Pension Fund
McMaster University Pension Fund
Manitoba Civil Service Superannuation Fund
New Brunswick Civil Service Superannuation Fund
Newfoundland Civil Service Superannuation Fund
Nova Scotia Civil Service Superannuation Fund
Ontario Educational Communications Authority Pension Fund
Ontario Energy Corporation
Ontario Hydro Pension Fund
Ontario Institute for Studies in Education Pension Fund

Ontario Municipal Employees Retirement System

Ontario Research Foundation Pension Fund

Ontario Teachers' Superannuation Fund

Prince Edward Island Civil Service Superannuation Fund

Queen's University Pension Fund

Retirement Pension Plan of Colleges of Applied Arts and Technology

Saskatchewan Power Corporation Pension Fund

Sisters of St. Joseph

Trent University Pension Fund

United Church of Canada Pension Fund *

University of Guelph Pension Fund

University of Ottawa Pension Fund

University of Toronto Pension Fund

University of Western Ontario **

Workers' Compensation Board Superannuation Fund

York University Pension Fund

* Applies only to Ontario Public Service Chaplains

** Agreement entered into during the fiscal year 1986-87.

PUBLIC SERVICE SUPERANNUATION FUND

The amount standing to the credit of the Public Service Superannuation Fund at April 1, 1986 was $4,030,476,412 and at the close of the fiscal year $4,562,854,575 (subject to verification by the Provincial Auditor). Total receipts for the year, including interest, amounted to $713,821,526 while total disbursements amounted to $181,443,363.

UNFUNDED LIABILITY

An actuarial valuation on the Public Service Superannuation Fund received in 1987 indicated a surplus of $109.9 million.

COST OF ADMINISTRATION

The cost of administrative support for the operation of the Public Service Superannuation Board is subsumed in the cost of administering the provisions of the Public Service Superannuation Act by the Employee Benefits and Data Services Branch of the Ministry of Government Services (Vote 205, Item 3). (This Branch also provides administrative services to other pension plans and benefit plans for Government employees and for members of the Legislative Assembly and their staff and provides payroll and personnel data services to all government ministries.)

The Chairman and members of the Public Service Superannuation Board are either civil servants in other capacities or an employee of the Ontario Public Service Employees Union and they receive no additional remuneration or expense allowances for service on the Board. Cost proration is not justified under these circumstances.

ACKNOWLEDGEMENT

In submitting this Report, the Board acknowledges, with appreciation, the assistance rendered to it by the Secretariat and the management and staff of the Employee Benefits and Data Services Branch, Ministry of Government Services.

TABLE 1

CASES UNDER THE PUBLIC SERVICE SUPERANNUATION ACT

Allowances	Total number of recipients at March 31, 1986	Cases during year	Deaths during year	Other terminations	Total number of recipients at March 31, 1987
Type 60 (male)	3,238	209	93	0	3,354
Type 60 (female)	1,188	75	31	1	1,231
Type 65 (male)	6,086	512	297	2	6,299
Type 65 (female)	3,411	277	114	2	3,572
Type 70 (male)	60	1	7	0	54
Type 70 (female)	31	2	3	0	30
Type 90 (male)*	1,846	171	22	0	1,995
Type 90 (female)	195	15	0	0	210
Disability (male)	683	26	46	1	662
Disability (female)	498	9	20	1	486
Dependants (widows of contributors)	2,126	118	40	1	2,203
Dependants (widowers of contributors)	156	21	4	0	173
Dependants (widows of superannuates)	4,006	339	131	3	4,211
Dependants (widowers of superannuates)	135	26	8	0	153
Dependants (children)	83	5	4	1	83
TOTALS:	23,742	1,806	820	12	24,716

Type 60 - age 60 plus at least 20 years of contributory service.

Type 65 - age 65 plus at least 10 years of contributory service.

Type 70 - age 70 plus at least 10 years of contributory service.

Type 90 - age plus years of contributory service total at least 90 years.

*NOTE: of the 171 new cases, 38 are OPPA "Type 80" cases

TABLE II

ALLOWANCES

Summary of allowances being paid as at March 31, 1987:

Dollar Amount Per Annum	Number of Allowances (Pensioners)
0 - 2,000	2,663
2,001 - 3,000	2,433
3,001 - 4,000	1,997
4,001 - 5,000	1,581
5,001 - 6,000	1,388
6,001 - 7,000	992
7,001 - 8,000	874
8,001 - 9,000	738
9,001 -10,000	628
10,001 -12,000	1,041
12,001 -15,000	1,141
15,001 -20,000	1,199
20,001 -25,000	668
Over 25,000	550

Dollar Amount Per Annum	Number of Allowances (Dependants)
0 - 1,000	1,950
1,001 - 1,500	1,319
1,501 - 2,000	952
2,001 - 2,500	634
2,501 - 3,000	455
3,001 - 3,500	344
3,501 - 4,000	229
4,001 - 4,500	185
4,501 - 5,000	154
5,001 - 6,000	226
6,001 - 7,500	184
7,501 -10,000	140
10,001 -12,500	34
Over 12,500	17

See statistical tabulation on page 14.

The dollar amounts are P.S.S. Fund amounts and do not include supplementary benefits and escalation payments.

TABLE III

CASES UNDER THE PUBLIC SERVICE SUPERANNUATION ACT

Annuities	Total number of recipients at March 31, 1986	Cases during year	Deaths during year	Other terminations	Total number of recipients at March 31, 1987
Immediate (60 plus, male)	600	31	33	1	597
Immediate (60 plus, female)	769	51	19	0	801
Immediate (less than 60, male)	522	38	10	2	548
Immediate (less than 60, female)	726	37	12	0	751
*Deferred Active (male)	485	42	20	1	506
*Deferred Active (female)	444	21	12	0	453
*Deferred Pending (male)	422	39	1	42	418
*Deferred Pending (female)	259	34	0	21	272
Dependants (widows)	343	42	8	0	377
Dependants (widowers)	64	15	4	0	75
Dependants (children)	2	0	0	0	2
	4,636	350	119	67	4,800

*Deferred Annuities are denoted as "pending" until the date payment commences and are then referred to for statistical purposes as "active".

Immediate (60 plus) - age 60 or over plus at least 10 years of contributory service.

Immediate (less than 60) - under age 60 plus at least 10 years of contributory service.

TABLE IV

ANNUITIES

Summary of annuities being paid as at March 31, 1987

Dollar Amount Per Annum	Number of Annuities (Annuitants)
0 - 2,000	1,458
2,001 - 3,000	690
3,001 - 4,000	449
4,001 - 5,000	318
5,001 - 6,000	194
6,001 - 7,000	134
7,001 - 8,000	99
8,001 - 9,000	74
9,001 - 10,000	54
10,001 - 12,000	75
12,001 - 15,000	53
15,001 - 20,000	40
20,001 - 25,000	11
Over 25,000	7

Dollar Amount Per Annum	Number of Annuities (Dependants)
0 - 1,000	276
1,001 - 1,500	99
1,501 - 2,000	28
2,001 - 2,500	20
2,501 - 3,000	8
3,001 - 3,500	10
3,501 - 4,000	4
4,001 - 4,500	1
4,501 - 5,000	1
5,001 - 6,000	6
6,001 - 7,500	1
7,501 - 10,000	0
10,001 - 12,500	0
Over 12,500	0

See statistical tabulation on page 16.

The dollar amounts are P.S.S. Fund amounts and do not include supplementary benefits and escalation payments.

This summary excludes deferred pending cases.

TABLE V

NUMBER OF OTHER CASES PROCESSED UNDER THE PUBLIC SERVICE SUPERANNUATION ACT

In addition to the cases involving allowances and annuities as shown on pages 14 and 16, the following cases were processed in the period April 1, 1986 to March 31, 1987. The number of cases processed in all categories does not correspond to the number of contributors who left the Fund because of the overlap, both at the beginning and the end of the fiscal year, between the date of separation and the date of processing the benefit.

	Number of cases during the year
Payments (Double contributions with interest)	
Retirement	59
Disability	11
Dependants (widows, widowers, children)	32
Sub-total:	102
Refunds	
Single contributions (with interest)	2,765
Residual balances	22
Sub-total:	2,787
Transfers	
Transfers Out	138
Sub-total:	138
TOTAL:	3,027

PUBLIC SERVICE SUPERANNUATION FUND

Statement of Changes in Fund Balance for the year ended March 31, 1987

	1987 ($000's)	1986 ($000's)
Receipts		
Contributions		
Province of Ontario	101,760	93,956
Boards and commissions	11,809	10,423
Designated branches	375	442
	113,944	104,821
Employees	113,944	104,821
Without equivalent contributions by employer - sundry	1,033	1,261
Employer re:		
Employees receiving long term income protection benefits	7,871	5,967
Payment on the unfunded liability (Note 4)	-	13,892
Transfers from other plans	17,326	7,097
Interest earnings	459,704	403,010
	713,822	640,869
Disbursements		
Allowances (including supplementary benefits) to superannuates, beneficiaries and annuitants	211,228	192,251
Supplementary benefits - recovery from the Province	(50,916)	(47,310)
	160,312	144,941
Refunds of contributions and interest	17,753	15,719
Transfers to other plans	3,378	3,576
	181,443	164,236
Net increase in the Fund	532,379	476,633
Fund balance on deposit with the Treasurer of Ontario,		
- beginning of year	4,030,476	3,553,843
- end of year	4,562,855	4,030,476

See accompanying notes to financial statement.

Approved on behalf of the Board:

Chairman

Secretary

PUBLIC SERVICE SUPERANNUATION FUND

Notes to Financial Statement
March 31, 1987

1. DESCRIPTION OF THE PLAN

The following brief description of the Public Service Superannuation pension plan (the Plan) is provided for general purposes only. For complete information, reference should be made to the Public Service Superannuation Act (the Act).

(a) General

The Plan is a contributory defined benefit pension plan of the Province of Ontario and is mandatory for persons who satisfy eligibility requirements provided in the Act. Under this Plan contributions are made by contributors, certain agencies, boards and commissions and the Province of Ontario.

(b) Funding Policy

Participants are required to contribute six per cent of salary, net of Canada Pension Plan contributions, to the Fund. These contributions are matched by the Province.

The Pension Benefits Act of Ontario requires that the Ontario Government, acting as the Plan sponsor, must ensure that the benefits determined under the Plan are adequately funded. The determination of the required funding is made on the basis of a triennial actuarial valuation.

(c) Superannuation Allowances

A superannuation allowance is available based on:

- a minimum of ten years of contributory service;
- the best five year or three year average salary depending on the credit date in the Fund; and
- two per cent of this average salary for each year of contributory service to a maximum of 35 years.

A " 90 factor", achieved by a combination of age and years of contributory service, provides an unreduced superannuation allowance at any age. Both reduced and unreduced pensions are also available under other combinations of age and years of contributory service or under other circumstances as outlined in the Act. Integration with the Canada Pension Plan takes place at age 65 or upon receipt of a CPP disability allowance.

(d) Survivor Allowances

A survivor allowance equal to one half of the allowances mentioned above is available to a spouse or an eligible dependent child of a participant who has a minimum of ten years credit in the Fund. Participants may elect to increase the survivor allowance to a maximum of 75 per cent of the basic superannuation allowance by reducing the benefit received during their lifetime.

1. DESCRIPTION OF THE PLAN (cont'd)

(e) Death Refunds

A death refund is payable to the estate of a participant or survivor where allowances have not been paid to the full extent of the individual's contributions plus interest.

(f) Withdrawal Refunds

Upon application and subject to the lock in provisions, withdrawal refunds, with interest on the contributions, are payable where a participant ceases to be employed in the public service.

(g) Income Taxes

The Public Service Superannuation Plan is a Registered Pension Plan as defined by the Income Tax Act.

(h) Supplementary Benefits

Supplementary benefits, as ordered by the Lieutenant Governor in Council, are paid to participants where allowances under the Act are below a prescribed amount. Additionally, participants who are not entitled to receive cost-of-living escalations under the Superannuation Adjustment Benefits Act receive similar cost-of-living escalations from the Fund. These supplementary benefit payments are recovered from the Consolidated Revenue Fund.

(i) Interest Revenue

All new money, being the excess of receipts over disbursements each fiscal year, earns a rate of interest which is fixed for 25 years and which is not less than the weighted average rate on long term securities issued or guaranteed by the Province of Ontario during that fiscal year. Funds maturing at the end of the 25 year term are also reinvested at the new money rate. For the 1987 fiscal year, this rate was 10.38%. The weighted average interest rate being earned on the 1986/87 Opening Balance was 11.31%.

2. SIGNIFICANT ACCOUNTING POLICY

This statement has been prepared on the cash basis of accounting.

3. ADMINISTRATIVE EXPENSES

Administrative expenses are paid by the Ministry of Government Services.

4. FINANCIAL STATUS OF THE FUND

(a) Results of Actuarial Valuation

The adequacy of the assets available for benefits in the Fund is determined by a triennial actuarial valuation. The latest triennial actuarial valuation filed with the Pension Commission of Ontario was as at December 31, 1985.

4. FINANCIAL STATUS OF THE FUND (cont'd)

This valuation revealed an actuarial gain of $221.4 million since the last triennial actuarial valuation of the Fund. This actuarial gain has been used to eliminate both the initial unfunded liability of $82.6 million and the unfunded liability of $28.9 million which has arisen subsequent to 1965. At December 31, 1985 the Fund showed an actuarial surplus of $109.9 million. Based on the 1985 valuation report, the Province is no longer required to make unfunded liability payments into the Fund.

(b) Basis of Actuarial Valuation

The future assets and liabilities of the plan are determined by applying actuarial assumptions to predict the amount and timing of future benefits and refunds together with participant and matching contributions. Then, using assumed interest rates, these predicted payments and receipts are "present valued" as if they had all been paid or received on the valuation date, December 31, 1985. The rates used by the actuary for mortality, retirement and withdrawal were based on recent experiences among the participants of the Fund.

The assumed interest earnings rates and salary increase rates were as follow:

	New Money Interest Rate %	Fund Balance Interest Rate %	Salary Increase Rate %
1986	10.40	11.10	5.00
1987	9.00	10.90	5.50
1888	8.00	10.60	6.00
1989	7.00	10.20	7.00
1990	6.75	9.90	6.50
1991 and later	6.50 - 6.00	9.60 - 6.00	6.00 - 4.50

Post-retirement adjustment benefits for inflation are not considered in the actuary's valuation because such benefits are paid out of the Superannuation Adjustment Fund or the Consolidated Revenue Fund.

INTEREST EARNED

BY THE P.S.S. FUND

Interest was credited to the Public Service Superannuation Fund out of the Consolidated Revenue Fund on the following basis:

(i) on the balance at the credit of the Fund on March 31, 1986 at a rate of 11.30494 per cent per annum, the effective rate of interest equivalent to the combination of rates applicable to the various portions of the balance;

(ii) on the net amount deemed to have entered the Fund each month throughout fiscal year 1986-87 at a rate of 10.38 per cent per annum and credited from the date such increases are deemed to have entered the Fund to the end of fiscal year 1986-87.

Interest will be credited to the Public Service Superannuation Fund out of the Consolidated Revenue Fund at a rate of 10.38 per cent per annum for twenty-five years subsequent to the fiscal year 1986-87 on the net increase in the Fund for the fiscal years 1986-87 ($532,378,163) and on the $20,000,000 which was deemed to be the portion of the Fund which was reinvested at March 31, 1987.

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